

HELPER MUNICIPAL CORPORATION

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

**HELPER MUNICIPAL CORPORATION
BASIC FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
Helper City
Helper, Utah 84526

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of Helper City, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Helper City, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2005, on our consideration of Helper City's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Helper City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Helper City. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing", is written over the printed firm name.

Price, Utah

December 20, 2005

**HELPER MUNICIPAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

Our discussion and analysis of Helper Municipal Corporation's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. This report is in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- ❖ The City's net assets increased \$244,465 as a result of this year's operations. Net assets of our governmental activities decreased \$202,296, which is a 2.89 percent decrease over last years. Our net assets of our business-type activities increased \$446,761, which is a 12.23 percent increase over last year.
- ❖ In the City's governmental activities, total expenses of \$1,311,492 were \$793,364 more than the direct revenues of \$518,128 for these types of activities.
- ❖ In the City's business-type activities, revenues of \$1,943,372 were \$723,331 more than the expenses of \$1,220,041 for these types of activities.
- ❖ Property Tax revenue for the year ended June 30, 2005 was \$133,269, Sales and Franchise Tax was \$330,83. Property Tax revenue increased \$41,689, while Sales and Franchise Tax increased \$51,774 from the previous fiscal year.
- ❖ The Water Fund received \$460,740 in grants from and the Permanent Community Impact Board (CIB) and Community Development Block Grant (CDBG) for the construction and installation of improvements to Helper's culinary water system, which included the replacement of the Fish Creek Springs water transmission line. This line provides approximately 25% of Helper's culinary water.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets and the Statement of Activities (on pages 11-12) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

REPORTING THE CITY AS A WHOLE

Our analysis of the City as a whole begins on page 11. The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps determine if the City is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

REPORTING THE CITY AS A WHOLE (Continued)

These two statements report the City's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the City's financial position. Increases or decreases in the City's net assets are one indicator of whether the financial position of the City is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, water lines, sewer lines, drainage systems, and other capital assets to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including the general and administration cost, contributions to other agencies, police, fire, public works, parks department and interest on long-term debt. Property taxes, franchise fees, fines, sales taxes and state and federal grants finance most of these activities.

Business-type activities—The City charges a fee to customers to help cover all or most of the cost of the services it provides. The City's water, sewer, electric, and garbage services are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City established other funds to help it control and manage money for particular purposes (special revenue and capital projects payments) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides – to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

The City is a trustee – it is responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The City's Statement of Net Assets, which decreased during the current calendar year, presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. The government-wide financial statements include the City's activity only. If the City (the primary government) had accountability to any other entity (known as a component unit), that information would also be presented in the government-wide financial statements. The analysis below, focuses on the net assets (Table 1), and changes in net assets (Table 2), of the City's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 573,555	\$ 543,364	\$ 685,235	\$ 555,879	\$ 1,258,790	\$ 1,099,243
Capital assets	7,085,319	7,431,709	3,843,844	3,610,185	10,929,163	11,041,894
Total assets	<u>\$ 7,658,874</u>	<u>\$ 7,975,073</u>	<u>\$ 4,529,079</u>	<u>\$ 4,166,064</u>	<u>\$ 12,187,953</u>	<u>\$ 12,141,137</u>
Current liabilities	\$ 211,316	\$ 212,559	\$ 84,427	\$ 257,027	\$ 295,743	\$ 469,586
Long-term debt outstanding	639,647	752,307	343,444	254,590	983,091	1,006,897
Total liabilities	<u>\$ 850,963</u>	<u>\$ 964,866</u>	<u>\$ 427,871</u>	<u>\$ 511,617</u>	<u>\$ 1,278,834</u>	<u>\$ 1,476,483</u>
Net assets:						
Invested in capital assets, net of debt	\$ 6,408,389	\$ 6,631,724	\$ 3,583,558	\$ 3,299,449	\$ 9,991,947	\$ 9,931,173
Restricted for:						
Class "C" road	90,534	101,844			90,534	101,844
Capital projects	85,377	104,510			85,377	104,510
Debt reserves			76,297	75,830	76,297	75,830
Unrestricted	223,611	172,129	441,353	279,168	664,964	451,297
Total net assets	<u>\$ 6,807,911</u>	<u>\$ 7,010,207</u>	<u>\$ 4,101,208</u>	<u>\$ 3,654,447</u>	<u>\$ 10,909,119</u>	<u>\$ 10,664,654</u>

Government-wide financial statements (Continued)

Net Assets of the City's governmental activities decreased by 2.89 percent (\$6,807,911 compared to \$7,010,207. *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is \$223,611 at the end of June 30, 2005.

Net Assets of our business-type activities increased 12.23 percent (\$4,101,208 compared to \$3,654,447). Unrestricted net assets for this group amounted to \$441,353. These net assets are used to finance the continuing operations of the water, sewer, electric and garbage service funds.

The City reviewed the capitalization policy for assets that were being recorded as capital assets. The City decided to change the capitalization amount to \$5,000. Because of this change, the net book value of those assets has been eliminated from the asset list and a prior period adjustment for \$184,738 has been recorded on the Statement of Activities.

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for services	\$ 286,407	\$ 414,557	\$ 1,482,632	\$ 1,328,473	\$ 1,769,039	\$ 1,743,030
Capital grants and contributions	231,721	128,238	460,740	40,652	692,461	168,890
General Revenues:						
Property taxes	133,269	91,580			133,269	91,580
Sales taxes	330,839	279,065			330,839	279,065
Other general revenue	30,859	11,043	4,269	2,897	35,128	13,940
Total revenues	\$ 1,013,095	\$ 924,483	\$ 1,947,641	\$ 1,372,022	\$ 2,960,736	\$ 2,296,505
Program Expenses						
General government	\$ 250,093	\$ 245,186			\$ 250,093	\$ 245,186
Public safety	533,429	495,243			533,429	495,243
Highways and public improve.	366,020	366,301			366,020	366,301
Parks and recreation	144,286	182,217			144,286	182,217
Community and econom. devel.	1,578	1,435			1,578	1,435
Interest on long-term debt	16,086	17,588			16,086	17,588
Loss on sale of assets		1,640		\$ 1,640		3,280
Water			\$ 320,222	407,663	320,222	407,663
Sewer			206,313	195,571	206,313	195,571
Electric			602,774	482,245	602,774	482,245
Garbage			90,732	90,943	90,732	90,943
Total expenses	\$ 1,311,492	\$ 1,309,610	\$ 1,220,041	\$ 1,178,062	\$ 2,531,533	\$ 2,487,672
Excess (deficiency) before transfers	\$ (298,397)	\$ (385,127)	\$ 727,600	\$ 193,960	\$ 429,203	\$ (191,167)

Government-wide financial statements (Continued)

Table 2
(Continued)
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Excess (deficiency) before transfers	\$ (298,397)	\$ (385,127)	\$ 727,600	\$ 193,960	\$ 429,203	\$ (191,167)
Transfers in (out)	\$ 275,575	\$ 228,561	\$ (275,575)	(228,561)		
Change in net assets	\$ (22,822)	\$ (156,566)	\$ 452,025	\$ (34,601)	\$ 429,203	\$ (191,167)
Net Assets - beginning	\$ 7,010,207	\$ 7,166,773	\$ 3,654,447	\$ 3,689,048	\$ 10,664,654	\$ 10,855,821
Prior period adjustments	(179,474)		(5,264)		(184,738)	
Net Assets - ending	6,807,911	7,010,207	4,101,208	3,654,447	10,909,119	10,664,654
Change in net assets	\$ (22,822)	\$ (156,566)	\$ 452,025	\$ (34,601)	\$ 429,203	\$ (191,167)

The City's operational goals for future years is to continue to strive to use the allotted funds in the best interest of the City and those who are served by the City's operations. As revenues increase, the funds will be used to make necessary improvements in government operations, road and recreation improvements, utility improvements and purchase of supplies and equipment that are appropriate and beneficial.

Governmental Activities

Revenues for the City's governmental type activities, increased \$88,612, a 9.59 percent increase. Total expenses using these funds increased \$3,522, an increase of .27 percent. Property and sales tax revenues both increased over the prior year by \$41,689 and \$40,873, respectively. The largest increase in expenditures occurred in public safety. The largest sources of funds are Sales and Franchise taxes and the transfer from the Electric Fund. These funds, and other special grants, enable the City the opportunity to fund a variety of improvement and recreation projects. An overall increase in the revenues of approximately 9.59 percent compared to an increase of approximately .27 percent in expenditures and a prior period adjustment of \$179,474 has resulted in the reduction in net assets for governmental activities of \$202,296 in 2005.

The cost of all governmental activities this year was \$1,311,492. As shown in the Statement of Activities on page 12, Sales and franchise tax revenue and the transfer from the Electric fund paid for the majority of these activities. Class "C" road revenue of \$91,397 helped pay 24.97 percent of the Highway and public improvements costs. Overall, the City's governmental program revenues \$518,128 paid 39.51 percent of the governmental activities expenditures.

Governmental Activities (Continued)

Costs of the City are centered within several programs—General government, Public safety, Highways and public improvements, Parks and recreation, Community and economic development and interest on long-term debt. The net cost of expenditures (over) specific program revenues shows the financial burden that utilizes the Property taxes, Sales and franchise taxes and the transfer from the Electric fund.

Business-type Activities

Revenues of the City's business-type activities increased 41.95 percent (\$1,947,641 compared to \$1,372,022) while expenses increased 6.45 percent (\$1,495,616 compared to \$1,404,983). The overall changes for the business-type activities revenues is the result of the City increasing the water and electric rates and the large grants they received from the CIB and the CDBG. Water revenues increased 14.60 percent and electric revenues increased 16.15 percent due to an increase in residential and commercial rates that became effective April 14, 2004. Electric expense increased 24.99 percent and water expenses decreased 21.45 percent over the prior year. In prior years all capital assets and depreciation was recorded in the water fund, however during the current year, capital assets were moved out of the water fund and into the electric and sewer funds. As a result of this, less depreciation expense was charged in the water fund and more expenses were charged to the sewer and electric funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised their budget once. The original budget was adopted on June 17, 2004 and was adjusted on June 16, 2005. The budget was amended to \$1,234,505 to account for an increase in general sales and franchise taxes and charges for services and a reduction in intergovernmental revenue. The differences in the original budget and final amended budget are summarized as follows:

- ❖ \$100,000 increase in general sales and use tax revenue
- ❖ \$ 50,000 increase in franchise tax revenue
- ❖ \$ 71,700 increase in charges for services revenue
- ❖ \$ 2,500 increase in miscellaneous revenues
- ❖ \$74,200 decrease in intergovernmental funds
- ❖ \$ 29,888 increase in general government expenditures
- ❖ \$ 95,250 increase in public safety expenditures
- ❖ \$ 7,400 increase in highways and public improvement expenditures
- ❖ \$ 16,532 increase in parks, recreation and public property expenditures
- ❖ \$ 430 increase in debt service expenditures

The actual charges for expenditures were \$1,163,979. This was \$70,026 above the final budget amounts. The City over spent their budget because they failed to amend their budget when Carbon County forgave them of their debt of \$92,000.

Resources for revenues were \$1,221,842. This was \$12,663 below the final budgeted amount. The most significant negative variance (\$49,166) occurred in intergovernmental revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2005, the City had \$10,929,163, invested in a broad range of capital assets, including water stock, museum artifacts, land, buildings, improvements other than buildings, machinery and equipment, infrastructure and work in progress (see Table 4 below). This amount represents a net decrease (including additions and deletions) of \$112,731, or a 1.02 percent decrease over the previous year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)
June 30, 2005 and 2004

	Governmental Activities		Business-type Activities		Totals Primary Government	
	2005	2004	2005	2004	2005	2004
Water stock			\$ 112,865	\$ 112,865	\$ 112,865	\$ 112,865
Museum artifacts	\$ 1,481,305	\$ 1,481,305			1,481,305	1,481,305
Land	94,560	204,560			94,560	204,560
Buildings	669,177	691,274		3,675	669,177	694,949
Improvements other than buildings	367,682	392,078	3,641,902	3,350,313	4,009,584	3,742,391
Machinery and equipment	587,261	720,648	89,077	102,680	676,338	823,328
Infrastructure	2,346,478	2,466,236			2,346,478	2,466,236
Work in progress	1,538,856	1,475,608		40,652	1,538,856	1,516,260
Total assets activities	\$ 7,085,319	\$ 7,431,709	\$ 3,843,844	\$ 3,610,185	\$ 10,929,163	\$ 11,041,894

This year's major additions include:

Capital improvements

Rio building project	\$27,275
Paid with grant proceeds from the previous year	
Museum addition	35,973
Paid with UDOT litigation proceeds	
Improvements to culinary water system, including the replacement of the Fish Creek Springs water transmission line	457,694
Paid with CIB & CDBG grant proceeds	

The City's fiscal year 2006 capital budget calls for spending on capital projects, principally for improvements to be made to the Museum and the construction of a new swimming pool. More detailed information about the City's capital assets is presented in the notes to the financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term debt

As of June 30, 2005, the City had \$914,000 in bonds outstanding. The debt represents refunding bonds and revenue bonds secured solely by specified revenue sources. The following table (table 5) shows the outstanding debt for the current and prior years.

Table 5
Outstanding Debt as of
June 30, 2005 and 2004

	Governmental Activities		Business-type Activities		Totals Primary Government	
	2005	2004	2005	2004	2005	2004
Refunding bonds payable			\$ 60,000	\$ 76,000	\$ 60,000	\$ 76,000
Revenue bonds payable	\$ 661,000	\$ 687,000	193,000	214,000	854,000	901,000
Note payable		92,000				92,000
Leases payable		20,985		20,736		41,721
Total debt	<u>\$ 661,000</u>	<u>\$ 799,985</u>	<u>\$ 253,000</u>	<u>\$ 310,736</u>	<u>\$ 914,000</u>	<u>\$ 1,110,721</u>

There has been no new debt issued during the current fiscal year. The City is planning to add additional debt in the next fiscal year to further the concepts and vision of the City. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FORECAST AND FUTURE BUDGET

Helper City's Mayor and Council considered many factors in this year's 2005-06 budget sessions. Last year the Mayor and Council passed an increase in property tax generating more revenue for the City. In 2006 a new Mayor and Council will take over and will work towards increasing economic development by increases in sales tax revenue. The City has plans for a new swimming pool and hopes that this will attract some new families to Helper, adding to the economic development.

The General fund budget is projected to be \$1,376,934, which is \$292,429 higher than the previous fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Recorder, Jona Skerl at PO Box 221, 73 South Main Helper, Utah 84526.

HELPER CITY MUNICIPAL CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash	\$ 272,764	\$ 330,151	\$ 602,915
Cash restricted	159,734	202,949	362,683
Accounts receivable (net)		132,133	132,133
Assessments receivable	116,033		116,033
Miscellaneous receivable	6,219		6,219
Due from other funds	5,236	20,002	25,238
Due from other governmental units	13,569		13,569
Capital assets (net of accumulated depreciation):			
Water stock		112,865	112,865
Land	94,560		94,560
Museum artifacts	1,481,305		1,481,305
Buildings	669,177		669,177
Improvements other than buildings	367,682	3,641,902	4,009,584
Machinery and equipment	587,261	89,077	676,338
Infrastructure	2,346,478		2,346,478
Work in progress	1,538,856		1,538,856
Total assets	\$ 7,658,874	\$ 4,529,079	\$ 12,187,953
<u>LIABILITIES</u>			
Accounts payable	\$ 17,528	\$ 38,141	\$ 55,669
Accrued liabilities	4,304		4,304
Customer deposits payable		126,652	126,652
Bond interest payable	15,930	7,286	23,216
Deferred revenue	147,554		147,554
Noncurrent liabilities:			
Bonds payable - Due within one year	26,000	39,000	65,000
Bonds payable - Due in more than one year	635,000	214,000	849,000
Compensated absences	4,647	2,792	7,439
Total liabilities	\$ 850,963	\$ 427,871	\$ 1,278,834
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 6,408,389	\$ 3,583,558	\$ 9,991,947
Restricted for:			
Class "C" Roads	90,534		90,534
Capital projects	85,377		85,377
Debt reserves		76,297	76,297
Unrestricted	223,611	441,353	664,964
Total net assets	\$ 6,807,911	\$ 4,101,208	\$ 10,909,119

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
Primary government:							
Governmental activities:							
General government	\$ 250,093	\$ 23,976			\$ (226,117)	\$	\$ (226,117)
Public safety	533,429	233,340	\$ 107,099		(192,990)		(192,990)
Highways and public improvements	366,020		100,646		(265,374)		(265,374)
Parks and recreation	144,286	29,091	23,976		(91,219)		(91,219)
Community and economic development	1,578				(1,578)		(1,578)
Interest on long-term debt	16,086				(16,086)		(16,086)
Total governmental activities	\$ 1,311,492	\$ 286,407	\$ 231,721	\$	\$ (793,364)		\$ (793,364)
Business-type activities:							
Water	\$ 320,222	\$ 297,619		\$ 460,740		\$ 438,137	\$ 438,137
Sewer	206,313	228,925				22,612	22,612
Electric	602,774	860,311				257,537	257,537
Garbage	90,732	95,777				5,045	5,045
Total business-type activities	\$ 1,220,041	\$ 1,482,632	\$	\$ 460,740	\$	\$ 723,331	\$ 723,331
Total primary government	\$ 2,531,533	\$ 1,769,039	\$ 231,721	\$ 460,740	\$ (793,364)	\$ 723,331	\$ (70,033)
General revenues:							
Property taxes		\$			\$ 133,269	\$	\$ 133,269
Sales and franchise taxes					330,839		330,839
Unrestricted investment earnings					2,833	\$ 4,269	7,102
Miscellaneous					28,026		28,026
Transfers in (out)					275,575	(275,575)	
Total general revenues and transfers					\$ 770,542	\$ (271,306)	\$ 499,236
Change in net assets					\$	\$ 452,025	\$ 429,203
Prior period adjustment					(179,474)	(5,264)	(184,738)
Net assets - beginning					7,010,207	3,654,447	10,664,654
Net assets - ending					\$ 6,807,911	\$ 4,101,208	\$ 10,909,119

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 171,359	\$ 101,405	\$ 272,764
Cash restricted	66,777	92,957	159,734
Receivables (net):			
Taxes	116,033		116,033
Miscellaneous	6,219		6,219
Due from other governmental units	13,569		13,569
Due from other funds		5,236	5,236
Total assets	\$ 373,957	\$ 199,598	\$ 573,555
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 8,475	\$ 9,053	\$ 17,528
Accrued liabilities	4,304		4,304
Deferred revenue	144,050	3,504	147,554
Total liabilities	\$ 156,829	\$ 12,557	\$ 169,386
Fund balances:			
Reserved for:			
Class C Roads	\$ 90,534		\$ 90,534
Public Safety	38,419		38,419
Redevelopment agency		\$ 14,095	14,095
Capital project funds		85,377	85,377
Unreserved, reported in:			
General fund	88,175		88,175
Special revenue funds		56,320	56,320
Capital project funds		31,249	31,249
Total fund balances	\$ 217,128	\$ 187,041	\$ 404,169
Total liabilities and fund balances	\$ 373,957	\$ 199,598	\$ 573,555

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances - governmental fund types: \$ 404,169

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land and easements	\$	94,560	
Museum artifacts		1,481,305	
Buildings		669,177	
Improvements other than buildings		367,682	
Machinery and equipment		587,261	
Infrastructure		2,346,478	
Work in progress		<u>1,538,856</u>	7,085,319

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bond interest payable	\$	(15,930)	
Bonds payable - current portion		(26,000)	
Bonds payable - one year		(635,000)	
Compensated absences		<u>(4,647)</u>	<u>(681,577)</u>

Net assets of governmental activities \$ 6,807,911

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Taxes	\$ 464,108		\$ 464,108
Licenses and permits	14,038		14,038
Intergovernmental	198,496	\$ 33,225	231,721
Charges for services	179,035	14,035	193,070
Fines and forfeitures	79,299		79,299
Contributions		2,735	2,735
Miscellaneous revenue	25,291	2,833	28,124
Total revenues	\$ 960,267	\$ 52,828	\$ 1,013,095
EXPENDITURES:			
Current:			
General government	\$ 248,481		\$ 248,481
Public safety	468,565		468,565
Highways and public improvements	214,916	\$ 31,709	246,625
Parks, recreation, and public property	75,606	87,295	162,901
Community and economic development		1,578	1,578
Debt service:			
Principal retirement	138,985		138,985
Interest and fiscal charges	17,426		17,426
Total expenditures	\$ 1,163,979	\$ 120,582	\$ 1,284,561
Excess revenues over (under) expenditures	\$ (203,712)	\$ (67,754)	\$ (271,466)
OTHER FINANCING SOURCES (USES):			
Transfers in	\$ 261,575	\$ 14,000	\$ 275,575
Total other financing sources (uses)	\$ 261,575	\$ 14,000	\$ 275,575
Excess of revenues and other sources over (under) expenditures and other uses	\$ 57,863	\$ (53,754)	\$ 4,109
FUND BALANCES - beginning of year	159,265	240,795	400,060
FUND BALANCES - end of year	\$ 217,128	\$ 187,041	\$ 404,169

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 4,109
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$247,652) exceeded capital outlay (\$80,736) in the current period.	(166,916)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	138,985
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,000
Change in net assets of governmental activities	\$ (22,822)

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
REVENUES:				
Taxes:				
Property taxes	\$ 129,200	\$ 129,200	\$ 133,269	\$ 4,069
General sales and use tax	200,000	300,000	280,892	(19,108)
Franchise tax	34,100	84,100	49,947	(34,153)
Licenses and permits	14,500	14,500	14,038	(462)
Intergovernmental	223,530	149,330	198,496	49,166
Charges for services	113,300	185,000	179,035	(5,965)
Fines and forfeitures	97,100	97,100	79,299	(17,801)
Investment earnings	200	200		(200)
Miscellaneous revenue	11,000	13,500	25,291	11,791
Total revenues	<u>\$ 822,930</u>	<u>\$ 972,930</u>	<u>\$ 960,267</u>	<u>\$ (12,663)</u>
EXPENDITURES:				
Current:				
General government:				
Justice Court	\$ 48,400	\$ 51,120	\$ 42,830	\$ 8,290
Administration	133,850	142,750	124,808	17,942
Building maintenance	74,200	92,468	80,194	12,274
Planning	700	700	649	51
Total general government	<u>\$ 257,150</u>	<u>\$ 287,038</u>	<u>\$ 248,481</u>	<u>\$ 38,557</u>
Public safety:				
Police	\$ 350,250	\$ 427,475	\$ 395,029	\$ 32,446
Fire	51,850	70,375	61,456	8,919
Rape crisis	13,330	12,830	12,080	750
Total public safety	<u>\$ 415,430</u>	<u>\$ 510,680</u>	<u>\$ 468,565</u>	<u>\$ 42,115</u>
Highways and public improvements:				
Highways - general	\$ 251,025	\$ 130,425	\$ 112,208	\$ 18,217
Class "C" roads		128,000	102,708	25,292
Total highways and public improvements	<u>\$ 251,025</u>	<u>\$ 258,425</u>	<u>\$ 214,916</u>	<u>\$ 43,509</u>

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
Parks, recreation, and public property:				
Parks	\$ 27,600	\$ 39,201	\$ 35,269	\$ 3,932
Recreation	23,300	23,300	3,300	20,000
Library	23,650	26,005	24,087	1,918
Cemetery	14,350	16,926	12,950	3,976
Total parks, recreation and public property	\$ 88,900	\$ 105,432	\$ 75,606	\$ 29,826
Debt service:				
Principal retirement	\$ 53,850	\$ 53,850	\$ 138,985	\$ (85,135)
Interest and fiscal charges	18,150	18,580	17,426	1,154
Total debt service	\$ 72,000	\$ 72,430	\$ 156,411	\$ (83,981)
Total expenditures	\$ 1,084,505	\$ 1,234,005	\$ 1,163,979	\$ 70,026
Excess of revenue over (under) expenditures	\$ (261,575)	\$ (261,075)	\$ (203,712)	\$ 57,363
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 261,575	\$ 261,575	\$ 261,575	
Total other financing sources (uses)	\$ 261,575	\$ 261,575	\$ 261,575	\$...
Excess of revenues and other sources over (under) expenditures and other uses			\$ 57,863	\$ 57,863
Fund balances - beginning of year	\$ 159,265	\$ 159,265	159,265	
Fund balances - end of year	\$ 159,265	\$ 159,265	\$ 217,128	\$ 57,863

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>ELECTRIC FUND</u>	<u>GARBAGE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>					
Current assets:					
Cash	\$ 91,177	\$ 109,292	\$ 107,049	\$ 22,633	\$ 330,151
Cash restricted	182,680	20,269			202,949
Receivables - net					
Utilities	28,756	18,659	76,793	7,925	132,133
Due from other funds	20,002				20,002
Total current assets	<u>\$ 322,615</u>	<u>\$ 148,220</u>	<u>\$ 183,842</u>	<u>\$ 30,558</u>	<u>\$ 685,235</u>
Noncurrent assets:					
Water stock	\$ 112,865				\$ 112,865
Equipment, buildings and improvements	3,396,919	\$ 333,860	\$ 4,798,558		8,529,337
Less: Accumulated depreciation	<u>(1,457,289)</u>	<u>(214,506)</u>	<u>(3,126,563)</u>		<u>(4,798,358)</u>
Total noncurrent assets	<u>\$ 2,052,495</u>	<u>\$ 119,354</u>	<u>\$ 1,671,995</u>	<u>\$...</u>	<u>\$ 3,843,844</u>
Total assets	<u>\$ 2,375,110</u>	<u>\$ 267,574</u>	<u>\$ 1,855,837</u>	<u>\$ 30,558</u>	<u>\$ 4,529,079</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	\$ 2,287		\$ 35,854		\$ 38,141
Accrued interest payable	7,286				7,286
Current portion - long-term debt	39,000				39,000
Total current liabilities	<u>\$ 48,573</u>	<u>\$...</u>	<u>\$ 35,854</u>	<u>\$...</u>	<u>\$ 84,427</u>

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>ELECTRIC FUND</u>	<u>GARBAGE FUND</u>	<u>TOTAL</u>
Noncurrent liabilities:					
Compensated absences	\$ 2,792				\$ 2,792
Customer deposits payable	126,652				126,652
Revenue bonds payable	214,000				214,000
Total noncurrent liabilities	\$ 343,444	\$...	\$...	\$...	\$ 343,444
Total liabilities	\$ 392,017	\$...	\$ 35,854	\$...	\$ 427,871
Net Assets:					
Invested in capital assets, net of related debt	\$ 1,792,209	\$ 119,354	\$ 1,671,996		\$ 3,583,559
Restricted	56,028	20,269			76,297
Unrestricted	134,856	127,951	147,987	\$ 30,558	441,352
Total net assets	\$ 1,983,093	\$ 267,574	\$ 1,819,983	\$ 30,558	
Net assets of business-type activities					\$ 4,101,208

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS				
	WATER FUND	SEWER FUND	ELECTRIC FUND	GARBAGE FUND	TOTAL
Operating revenues:					
Charges for sales and services	\$ 297,619	\$ 228,925	\$ 860,311	\$ 95,777	\$ 1,482,632
Total operating revenues	\$ 297,619	\$ 228,925	\$ 860,311	\$ 95,777	\$ 1,482,632
Operating expenses:					
Employee salaries	\$ 71,042	\$ 9,041	\$ 28,260		\$ 108,343
Employee benefits	35,475	3,933	9,963		49,371
Books, subscriptions & membership	3,772				3,772
Public notices	595				595
Office supplies	1,765		3,760	\$ 25	5,550
Equipment supplies and maintenance	38,480	3,147	55,178		96,805
Utilities and telephone	2,374				2,374
Power purchases	1,912		372,155		374,067
Water purchases	44,731				44,731
Sewer collection services		178,251			178,251
Garbage collection fees				90,707	90,707
Professional and technical	1,519				1,519
Water samples	2,698				2,698
Insurance	8,936		13,494		22,430
Bad debt expense	687				687
Depreciation	90,465	11,941	119,964		222,370
Miscellaneous	662				662
Total operating expenses	\$ 305,113	\$ 206,313	\$ 602,774	\$ 90,732	\$ 1,204,932
Operating income (loss)	\$ (7,494)	\$ 22,612	\$ 257,537	\$ 5,045	\$ 277,700
Nonoperating revenues (expenses):					
Interest revenue	\$ 324	\$ 122	\$ 3,823		\$ 4,269
Interest expense and fiscal charges	(15,109)				(15,109)
Capital improvement grants	460,740				460,740
Total nonoperating revenues (expenses)	\$ 445,955	\$ 122	\$ 3,823	\$...	\$ 449,900
Income (loss) before transfers	\$ 438,461	\$ 22,734	\$ 261,360	\$ 5,045	\$ 727,600
Transfers In (Out):					
Transfers out			\$ (275,575)		\$ (275,575)
Total transfers in (out):	\$...	\$...	\$ (275,575)	\$...	\$ (275,575)
Change in net assets	\$ 438,461	\$ 22,734	\$ (14,215)	\$ 5,045	\$ 452,025
Total net assets - beginning	3,473,151	113,545	42,238	25,513	3,654,447
Prior period adjustment	(1,928,519)	131,295	1,791,960		(5,264)
Total net assets - ending	\$ 1,983,093	\$ 267,574	\$ 1,819,983	\$ 30,558	\$ 4,101,208

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
STATEMENT OF CASH FLOWS
PROPERETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	ENTERPRISE FUNDS				
	WATER FUND	SEWER FUND	ELECTRIC FUND	GARBAGE FUND	TOTAL
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 307,407	\$ 229,689	\$ 847,410	\$ 96,110	\$ 1,480,616
Cash payments to suppliers	(144,852)	(181,398)	(444,505)	(90,732)	(861,487)
Cash payments to employees	(105,315)	(12,974)	(38,223)		(156,512)
Net cash provided (used) by operating activities	\$ 57,240	\$ 35,317	\$ 364,682	\$ 5,378	\$ 462,617
Cash Flows From Noncapital Financing Activities:					
Transfers to other funds			\$ (275,575)		\$ (275,575)
Net cash provided (used) by noncapital financing activities	\$...	\$...	\$ (275,575)	\$...	\$ (275,575)
Cash Flows From Capital and Related Financing Activities:					
Acquisition of capital assets	\$ (461,294)				\$ (461,294)
Interest paid on bonds	(15,834)				(15,834)
Principal paid on bonds	(37,000)				(37,000)
Interest paid on capital leases	(975)				(975)
Principal paid on capital leases	(20,736)				(20,736)
Grants received	501,392				501,392
Net cash provided (used) by capital and related financing activities	\$ (34,447)	\$...	\$...	\$...	\$ (34,447)
Cash Flows From Investing Activities:					
Interest and dividends received	\$ 324	\$ 122	\$ 3,823		\$ 4,269
Net cash provided (used) by investing activities	\$ 324	\$ 122	\$ 3,823	\$...	\$ 4,269
Net increase (decrease) in cash and cash equivalents	\$ 23,117	\$ 35,439	\$ 92,929	\$ 5,378	\$ 156,863
Cash and cash equivalents, July 1	250,740	94,122	14,119	17,255	376,236
Cash and cash equivalents, June 30	\$ 273,857	\$ 129,561	\$ 107,048	\$ 22,633	\$ 533,099
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (7,494)	\$ 22,612	\$ 257,537	\$ 5,045	\$ 277,700
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	\$ 90,465	\$ 11,941	\$ 119,964		\$ 222,370
(Increase) Decrease in utility receivables	(1,340)	764	(12,901)	\$ 333	(13,144)
Increase (Decrease) in accounts payable	(36,721)		82		(36,639)
Increase (Decrease) in compensated absences	1,202				1,202
Increase (Decrease) in customer deposits payable	11,128				11,128
Total adjustments	\$ 64,734	\$ 12,705	\$ 107,145	\$ 333	\$ 184,917
Net cash provided (used) by operating activities	\$ 57,240	\$ 35,317	\$ 364,682	\$ 5,378	\$ 462,617

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

COMMUNITY
DEVELOPMENT

ASSETS

Cash and cash equivalents	\$ 86,441
Note receivable	4,459
Land	<u>10,050</u>
Total assets	<u>\$ 100,950</u>

LIABILITIES

Liabilities - due to other funds	<u>\$ 25,238</u>
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NET ASSETS

Held in trust for fiduciary purposes	<u><u>\$ 75,712</u></u>
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"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>COMMUNITY DEVELOPMENT</u>
ADDITIONS:	
Contributions:	
Equity fees	\$ 34
Total contributions	\$ 34
Investment earnings:	
Interest	\$ 1,299
Total investment earnings	\$ 1,299
Total additions	\$ 1,333
DEDUCTIONS:	
Total deductions	\$...
Change in net assets	\$ 1,333
Net assets - beginning of the year	74,379
Net assets - end of the year	\$ 75,712

"The notes to the financial statements are an integral part of this statement."

**HELPER MUNICIPAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. HISTORY AND ORGANIZATION

Helper Municipal Corporation (the City) is a municipal corporation governed by an elected mayor and five-member council. The City, incorporated in 1915, provides the following services: public safety, public utilities, street and public improvements, sanitation, planning and zoning, culture and recreation, and general administrative services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).

Change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

A. Reporting Entity

All financial activities over which the City has financial responsibility are included in this report. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of financial accountability; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

A. **Reporting Entity (Continued)**

Blended Component Unit

The Helper City Redevelopment Agency is included in this report as the Redevelopment Agency (RDA), a special revenue fund, which is a component unit blended in the City's financial statements. Although the RDA is clearly established as a separate entity under state law, it is included due to financial accountability and the extensive oversight provided by the City. Members of the City Council serve as the Board of Directors of the RDA.

B. **Government-Wide and Fund Financial Statements**

Generally accepted accounting principles (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations. The statements report information on all of the non-fiduciary activities of the City and its component units. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The statement of net assets is the basic government-wide statement of position that presents all of the City's permanent accounts (assets, liabilities, and net assets).

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable and deferred revenue. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Water, Sewer, Electric, Garbage Funds account for the operation and maintenance of the City's garbage collection, water, sewer and electric distribution systems.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)**

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

D. **Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. Budgets are not adopted for the Helper City Trust Fund. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

1. During May of each year, the Mayor submits to the City Council a proposed operating budget for the next fiscal year commencing July 1st. The operating budget includes proposed expenditures and the proposed sources of revenues. A final budget for the current year ending June 30 is also included.
2. Copies of the proposed budget are made available for public inspection and review by the citizens of the City.
3. If the City does not exceed the certified tax rate, a public hearing is held prior to June 22 and the budget is legally adopted through passage of a resolution. If the City exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
4. Once adopted, the budget can be amended by subsequent City Council action. The City Council can approve reductions in appropriations, but increases in appropriations, by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
5. Minor interim adjustments in estimated revenues and appropriations during the year ended June 30, 2005, have been included in the final budget approved by the City Council, as presented in the financial statements.
6. Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and the fund level for all other funds.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

E. Cash and Cash Equivalents

The City considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF), to be cash and cash equivalents.

F. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

G. Capital Assets

Capital assets, which include water stock, land, artifacts, buildings, improvements, equipment, infrastructure assets (e.g., roads, curb, gutter, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements, equipment, and infrastructure assets of the City are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	20
Machinery and equipment	5-20
Infrastructure	40

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

H. Compensated Absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. At retirement, death, or termination, all unpaid accrued vacation is paid. Actual liability for unused vacation has been computed using current pay rate per hour for each hour of vacation.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

3. DEPOSITS AND INVESTMENTS

Deposits and investments for the City and its blended component unit is governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The City follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. At June 30, 2005, the City's bank balance of cash on deposit was \$732,421 of this amount, \$102,049 was insured. But \$630,372 of the deposits are uninsured and uncollateralized.

3. DEPOSITS AND INVESTMENTS (Continued)

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 356,249	\$ 356,249			
Total Investments	\$ 356,249	\$ 356,249	\$...	\$...	\$...

3. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The City also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has not adopted a formal policy with regards to credit risk on investments but the City informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2005, the City had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
State of Utah Public Treasurer's Investment Fund	\$ 356,249				\$ 356,249
Total	<u>\$ 356,249</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 356,249</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

3. **DEPOSITS AND INVESTMENTS (Continued)**

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. As of June 30, 2005, the City had \$356,249 invested in the Public Treasurer's Investment Fund and was held by them.

4. **RESTRICTED CASH**

The following funds owned by Helper Municipal Corporation at June 30, 2005 were being held in the following restricted capacity. In connection with bond agreements, the City has established bond sinking and bond reserve funds. These funds are to assure that adequate money is available to service debt payments as they come due. Reserved amounts are shown below, along with other restricted funds.

Enterprise Funds

Sinking funds	\$ 27,020
Reserve accounts	49,277
Customer deposits	<u>126,652</u>
	<u>\$ 202,949</u>

General Fund

Class "C" Roads	<u>\$ 66,777</u>
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Capital Projects Fund

Museum project	<u>\$ 92,957</u>
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5. PROPERTY TAXES

The property tax revenue of the City is collected and distributed by the Carbon County treasurer as an agent of the City. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until the date paid.

As of June 30, 2005, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2004 and earlier and 2) taxes assessed as of January 1, 2005, but are not due and payable until November 30, 2005. It is expected that all delinquencies, plus accrued interest and penalties, will be collected within a five-year period, during which time, the County treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Beginning January 1, 1992, there was levied, in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee, are distributed by the county to each taxing entity in which, the property is located in the same proportion in which, revenue collected from ad valorem real property tax is distributed. The City recognizes age-based fees as revenues when collected by the County.

6. PROPERTY TAX CALENDAR

The City adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the county assessor on property in the county as of July 1. The taxes are payable to the city treasurer by the end of November and are remitted to the City by the county treasurer as collected.

7. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 204,560		\$ 110,000	\$ 94,560
Museum artifacts	1,481,305			1,481,305
Work in progress	<u>1,475,608</u>	<u>\$ 63,248</u>		<u>1,538,856</u>
Total capital assets not being depreciated	<u>\$ 3,161,473</u>	<u>\$ 63,248</u>	<u>\$ 110,000</u>	<u>\$ 3,114,721</u>
Capital assets being depreciated:				
Buildings	\$ 2,387,046		\$ 4,498	\$ 2,382,548
Improvements other than buildings	1,092,056	\$ 13,888	4,266	1,101,678
Machinery and equipment	1,465,107	3,600	134,997	1,333,710
Infrastructure	<u>5,277,817</u>			<u>5,277,817</u>
Total capital assets being depreciated:	<u>\$ 10,222,026</u>	<u>\$ 17,488</u>	<u>\$ 143,761</u>	<u>\$ 10,095,753</u>
Less accumulated depreciation for:				
Buildings	\$ 1,695,772	\$ 22,097	\$ 4,498	\$ 1,713,371
Improvements other than buildings	699,978	36,330	2,312	733,996
Machinery and equipment	744,459	69,467	67,477	746,449
Infrastructure	<u>2,811,581</u>	<u>119,758</u>		<u>2,931,339</u>
Total accumulated depreciation	<u>\$ 5,951,790</u>	<u>\$ 247,652</u>	<u>\$ 74,287</u>	<u>\$ 6,125,155</u>
Total capital assets being depreciated, net	<u>\$ 4,270,236</u>	<u>\$ (230,164)</u>	<u>\$ 69,474</u>	<u>\$ 3,970,598</u>
Governmental activities capital assets, net	<u>\$ 7,431,709</u>	<u>\$ (166,916)</u>	<u>\$ 179,474</u>	<u>\$ 7,085,319</u>

7. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Water stock	\$ 112,865			\$ 112,865
Work in progress	<u>40,652</u>		<u>40,652</u>	
Total capital assets not being depreciated:	<u>\$ 153,517</u>	<u>\$...</u>	<u>\$ 40,652</u>	<u>\$ 112,865</u>
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 10,500		\$ 10,500	
Improvements other than buildings	7,771,974	\$ 498,346		\$ 8,270,320
Machinery and equipment	<u>287,645</u>	<u>3,600</u>	<u>32,227</u>	<u>259,018</u>
Total capital assets being depreciated:	<u>\$ 8,070,119</u>	<u>\$ 501,946</u>	<u>\$ 42,727</u>	<u>\$ 8,529,338</u>
Less accumulated depreciation for:				
Buildings	\$ 6,826		\$ 6,826	
Improvements other than buildings	4,421,660	\$ 206,758		\$ 4,628,418
Machinery and equipment	<u>184,965</u>	<u>15,613</u>	<u>30,637</u>	<u>169,941</u>
Total accumulated depreciation	<u>\$ 4,613,451</u>	<u>\$ 222,371</u>	<u>\$ 37,463</u>	<u>\$ 4,798,359</u>
Total capital assets being depreciated, net	<u>\$ 3,456,668</u>	<u>\$ 279,575</u>	<u>\$ 5,264</u>	<u>\$ 3,730,979</u>
Business-type activities capital assets, net	<u><u>\$ 3,610,185</u></u>	<u><u>\$ 279,575</u></u>	<u><u>\$ 45,916</u></u>	<u><u>\$ 3,843,844</u></u>

7. **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 1,272
Public safety	64,864
Highways and public improvements	154,704
Parks and recreation	<u>26,812</u>
Total depreciation expense - governmental activities	<u>\$ 247,652</u>
Business-type Activities:	
Water fund	\$ 90,466
Sewer fund	11,941
Electric fund	<u>119,964</u>
Total depreciation expense - business-type activities	<u>\$ 222,371</u>

8. **PENSION PLANS**

Cost Sharing Defined Benefit Pension Plans

Plan Description – The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, and Firefighters Retirement System, which is for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, and Firefighters Retirement System, which is for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

8. PENSION PLANS (Continued)

Funding Policy - Plan members in the Local Governmental Noncontributory Retirement System and Public Safety retirement System for employers with (without) Social Security coverage contributory division, the City is required to contribute 11.09%. In the Public Safety Noncontributory Retirement System, the City is required to contribute 19.08% of members' salaries. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Local Governmental Noncontributory Retirement System, the contributions for June 30, 2005, 2004 and 2003 were \$27,170, \$23,192, and \$21,864 respectively; for the Public Safety Noncontributory Retirement System, the contributions for June 30, 2005, 2004 and 2003 were \$35,036, \$27,592, and \$21,875, respectively. The contributions were equal to the required contributions for each year.

The City also sponsors a defined contribution retirement plan under Internal Revenue Code Section 401(k), which is administered by the Utah Retirement Systems. The plan covers all full-time City employees who participate in the State's contributory and non-contributory retirement plans. Participants are fully vested in employer and employee contributions.

The City's contribution rates are determined by City resolution. The City's contributions for the year ended June 30, 2005 were calculated using the total participants' salary. The required contributions were made which amounted to \$0 for the year ended June 30, 2005. Participants may make tax deferred contributions through a salary reduction agreement up to a maximum of \$13,000. The participants' contributions for the year ended June 30, 2005 totaled \$8,843.

9. LONG-TERM DEBT

The changes in bonds, notes, capital leases and compensated absences for the year ended June 30, 2005, are summarized as follow:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 687,000		\$ (26,000)	\$ 661,000	\$ 26,000
Note payable	92,000		(92,000)		
Capital leases	20,985		(20,985)		
Compensated absences	<u>4,307</u>	<u>\$ 340</u>		<u>4,647</u>	
Governmental activity long-term liabilities	<u>\$ 804,292</u>	<u>\$ 340</u>	<u>\$ (138,985)</u>	<u>\$ 665,647</u>	<u>\$ 26,000</u>
Business-type activities:					
Bonds payable	\$ 290,000		\$ (37,000)	\$ 253,000	\$ 39,000
Capital leases	20,736		(20,736)		
Compensated absences	<u>1,590</u>	<u>\$ 1,202</u>		<u>2,792</u>	
Governmental activity long-term liabilities	<u>\$ 312,326</u>	<u>\$ 1,202</u>	<u>\$ (57,736)</u>	<u>\$ 255,792</u>	<u>\$ 39,000</u>

9. **LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for bonds are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 26,000	\$ 15,930	\$ 41,930	\$ 39,000	\$ 13,343	\$ 52,343
2007	27,000	15,420	42,420	42,000	10,632	52,632
2008	27,000	14,880	41,880	45,000	7,665	52,665
2009	28,000	14,340	42,340	24,000	4,445	28,445
2010	29,000	13,770	42,770	25,000	3,605	28,605
2011-2015	152,000	59,640	211,640	78,000	5,530	83,530
2016-2020	164,000	42,600	206,600			
2021-2025	145,000	22,800	167,800			
2026-2029	63,000	2,850	65,850			
	<u>\$ 661,000</u>	<u>\$ 202,230</u>	<u>\$ 863,230</u>	<u>\$ 253,000</u>	<u>\$ 45,220</u>	<u>\$ 298,220</u>

Revenue Bonds – Revenue bonds payable at June 30, 2005, with their outstanding balances, are comprised of the following individual issues:

Governmental Activities:

\$652,500 Lease Revenue Bonds, Series 1996, due in annual principal installments of \$13,500 to \$32,000, beginning July 1, 1997 through July 1, 2026, interest of 3.00% per annum. \$ 531,000

\$175,000 MBA Lease Revenue Bonds, Series 1999, due in annual principal installments of \$8,000 to \$9,000, beginning July 1, 2000 through July 1, 2019, interest of 0.00% per annum. 130,000

Total Governmental Activities \$ 661,000

Business-type Activities:

\$195,000 Water Revenue Bonds, Series 1988, due in annual principal installments of \$3,000 to \$22,000, beginning June 1, 1989, through June 1, 2008, interest of 10.98% per annum. \$ 60,000

\$400,000 Water Revenue Bonds, Series 1991, due in annual principal installments of \$14,000 to \$27,000, beginning July 1, 1992, through July 1, 2012, interest of 3.50% per annum. 193,000

Total Business-type Activities \$ 253,000

Total all bonds payable \$ 914,000

9. **LONG-TERM DEBT (Continued)**

Revenue bonds issued for governmental activities were used to construct and improve a public safety building and a recreational facility within the city. All revenue bonds issued for business-type activities were used for the construction, repair, and maintenance of water lines within the city.

10. **NOTE PAYABLE**

On July 1, 2001, the City entered into a non-interest bearing note payable to Carbon County for the purchase of a new fire truck. The payment to the County was to be \$5,000 per year, with the first payment beginning October 1, 2001. During the fiscal year 2004/2005, Carbon County forgave Helper City of this debt.

Note payable activity for the year ended June 30, 2005:

	Balance June 30, 2004	Additions and Transfers	Payments and Reductions	Balance June 30, 2005
Note Payable	\$ 92,000	\$...	\$ 92,000	\$...

11. **CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

12. **REDEVELOPMENT AGENCY**

During the year ended June 30, 2005, the Help Municipal Corporation Redevelopment Agency collected \$9,249 for the downtown redevelopment project area. During this same period of time, the Redevelopment Agency did not pay any of the tax increment to any taxing agency or unit. Currently, the Redevelopment Agency has no outstanding bonds or loans.

During the fiscal year ended June 30, 2005, the Redevelopment Agency did not acquire any property, but did contribute to the following site improvements:

<u>Project</u>	<u>Amount</u>
Expression Ballet Company	\$ 244
Frankie's Drive Inn	1,108
Lon's Glass & Service	316

The Redevelopment Agency did not incur administrative expenditures in this fiscal year. The Agency did not incur expenditures for the installation of public utilities or other public improvements.

13. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City operates four enterprise funds. The Water Fund and the Sewer Fund are used for the purpose of constructing storage and distributions systems for culinary water and sewage. The Electric Fund is used for the purpose of accounting for electrical power provided to the resident of the City. During the year, the Electric Fund made a material transfer to the General and Museum Funds. The Garbage Fund is used to account for the cost of collecting refuse within the City. All of these Funds are kept separate for revenues and expenditures within their own private fund. Although all of the enterprise funds are not major funds, all are presented in this segment information, because the only fund that is not a major fund is the Garbage Fund.

A summary of the financial statements for these enterprise funds is presented below:

CONDENSED STATEMENT OF NET ASSETS

	Water Fund	Sewer Fund	Electric Fund	Garbage Fund
Assets:				
Current assets	\$ 322,615	\$ 148,220	\$ 183,841	\$ 30,558
Capital assets	2,052,495	119,354	1,671,996	
Total assets	\$ 2,375,110	\$ 267,574	\$ 1,855,837	\$ 30,558
Liabilities:				
Current liabilities	\$ 48,573		\$ 35,854	
Noncurrent liabilities	343,444			
Total liabilities	\$ 392,017	\$...	\$ 35,854	\$...
Net Assets:				
Invested in capital assets, net of related debt	\$ 1,792,209	\$ 119,354	\$ 1,671,996	
Restricted	56,028	20,269		
Unrestricted	134,856	127,951	147,987	\$ 30,558
Total net assets	\$ 1,983,093	\$ 267,574	\$ 1,819,983	\$ 30,558
Capital assets:				
Additions	\$ 461,294			
Retirements	(42,728)			
Transfers	(1,923,255)	131,295	1,791,960	

13. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

**CONDENSED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

	Water Fund	Sewer Fund	Electric Fund	Garbage Fund
Operating revenues	\$ 297,619	\$ 228,925	\$ 860,311	\$ 95,777
Depreciation expense	(90,465)	(11,941)	(119,964)	
Other operating expenses	(214,648)	(194,372)	(482,810)	(90,732)
Operating income	\$ (7,494)	\$ 22,612	\$ 257,537	\$ 5,045
Nonoperating revenue (expenses):				
Investment earnings	\$ 324	\$ 122	\$ 3,823	
Interest expense and fiscal charges	(15,109)			
Grants	460,740			
Total nonoperating revenue (expenses)	\$ 445,955	\$ 122	\$ 3,823	\$...
Transfers:				
Transfers out			\$ (275,575)	
Total transfers	\$...	\$...	\$ (275,575)	\$...
Change in net assets	\$ 438,461	\$ 22,734	\$ (14,215)	\$ 5,045
Beginning net assets	3,473,151	113,545	42,238	25,513
Prior period adjustments	(1,928,519)	131,295	1,791,960	
Ending net assets	\$ 1,983,093	\$ 267,574	\$ 1,819,983	\$ 30,558

13. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	Water Fund	Sewer Fund	Electric Fund	Garbage Fund
Operating revenues:				
Charges for services	\$ 297,619	\$ 228,925	\$ 860,311	\$ 95,777
Depreciation expense	(90,465)	(11,941)	(119,964)	
Operating income (loss)	(7,494)	22,612	257,537	5,045
Operating transfers out			(275,575)	
Net income (loss)	438,461	22,734	(14,215)	5,045
Property, plant, and equipment:				
Additions	461,294			
Deletions	(42,728)			
Transfers	(1,923,255)	131,295	1,791,960	
Net working capital	274,042	148,220	147,987	30,558
Total assets	2,375,110	267,574	1,855,837	30,558
Bonds payable	253,000			
Total equity	1,983,093	267,574	1,819,983	30,558

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:				
Operating activities	\$ 57,240	\$ 35,317	\$ 364,682	\$ 5,378
Noncapital financing activities			(275,575)	
Capital and related financing activities	(34,447)			
Investing activities	324	122	3,823	
Net increase (decrease)	\$ 23,117	\$ 35,439	\$ 92,930	\$ 5,378
Beginning cash and cash equivalents	250,740	94,122	14,119	17,255
Ending cash and cash equivalents	<u>\$ 273,857</u>	<u>\$ 129,561</u>	<u>\$ 107,049</u>	<u>\$ 22,633</u>

14. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To more economically cover these liabilities, the City has purchased a policy with a major insurance company. The City pays an annual premium to the insurance company for the third party liability insurance coverage. The City continues to carry commercial insurance for all other risks of loss, including workers compensation, employee health and accident insurance. At June 30, 2005, the City had no claims or judgments filed against it related to the risks mentioned above.

15. **RELATED PARTY TRANSACTIONS**

There was no related party transactions during the fiscal year ended June 30, 2005.

16. **RECEIVABLES**

Receivables as of June 30, 2005 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	GENERAL FUND	WATER FUND	SEWER FUND	ELECTRIC FUND	NONMAJOR AND OTHER FUNDS	TOTAL
Receivables:						
Taxes	\$ 116,033					\$ 116,033
Accounts		\$ 31,954	\$ 18,659	\$ 76,793	\$ 7,925	135,331
Governmental	13,569					13,569
Miscellaneous	6,219					6,219
Gross receivables	\$ 135,821	\$ 31,954	\$ 18,659	\$ 76,793	\$ 7,925	\$ 271,152
Less: allowance for uncollectible accounts		(3,198)				(3,198)
Net receivables	<u>\$ 135,821</u>	<u>\$ 28,756</u>	<u>\$ 18,659</u>	<u>\$ 76,793</u>	<u>\$ 7,925</u>	<u>\$ 267,954</u>

17. **INTERFUND BALANCES AND TRANSFERS**

Internal Balances – Included in internal balances on the financial statements are individual fund receivables and payable balances at June 30, 2005 as follows:

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
Museum Fund	\$ 5,236	
Water Fund	20,002	
Community Development - Trust Fund		\$ 25,238
Total internal balances	<u>\$ 25,238</u>	<u>\$ 25,238</u>

17. **INTERFUND BALANCES AND TRANSFERS (Continued)**

Transfers – Inter-fund transfers during the year ended June 30, 2005 were as follows:

	<u>GENERAL FUND</u>	<u>MUSEUM FUND</u>	<u>ELECTRIC FUND</u>	<u>TOTAL</u>
Transfers out:			\$ (275,575)	\$ (275,575)
Transfers in:				
General	<u>\$ 261,575</u>	<u>\$ 14,000</u>		<u>275,575</u>
Totals	<u><u>\$ 261,575</u></u>	<u><u>\$ 14,000</u></u>	<u><u>\$ (275,575)</u></u>	<u><u>\$...</u></u>

18. **PRIOR PERIOD ADJUSTMENTS**

The City adopted a new capitalization policy increasing the dollar value of the capital assets to be reported. Implementation of the new policy required the deletion of many assets with individual costs below \$5,000. As a result of this policy change, it was necessary to record a prior period adjustment to reflect the affect of the new policy on the financial statements.

19. **REALLOCATION OF CAPITAL ASSETS**

In prior years, all capital assets and depreciation for all the enterprise funds (water, sewer, electric, and sewer) were recorded in the water fund only. However, in order to reflect a better accounting of the actual costs of each of the propriety funds, a reallocation of capital assets and their related accumulated depreciation was required. This reallocating of the capital assets to their correct funds affected the financial statements in the following ways: 1) a prior period adjustment for the water, sewer, and electric funds was recorded and 2) depreciation has been recorded in the proper funds for the first time.

20. **BUDGET VARIANCE**

For the year ended June 30, 2005, the City had an unfavorable budget variance in the following funds and departments:

General Fund	
Debt Service – Principal retirement	(\$85,135)

HELPER MUNICIPAL CORPORATION
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	MUSEUM	REDEVELOP- MENT AGENCY	RIO HOTEL	SWIMMING POOL	MUSEUM	
<u>ASSETS</u>						
Cash	\$ 56,061	\$ 14,095	\$ 20,035	\$ 11,214		\$ 101,405
Cash restricted					\$ 92,957	92,957
Due from other funds	<u>5,236</u>					<u>5,236</u>
Total assets	<u>\$ 61,297</u>	<u>\$ 14,095</u>	<u>\$ 20,035</u>	<u>\$ 11,214</u>	<u>\$ 92,957</u>	<u>\$ 199,598</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 1,473				\$ 7,580	\$ 9,053
Deferred revenue	<u>3,504</u>					<u>3,504</u>
Total liabilities	<u>\$ 4,977</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 7,580</u>	<u>\$ 12,557</u>
Fund balances:						
Reserved, reported in:						
Capital project funds					\$ 85,377	\$ 85,377
Unreserved, reported in:						
Special revenue funds	\$ 56,320	\$ 14,095				70,415
Capital project funds			\$ 20,035	\$ 11,214		<u>31,249</u>
Total fund balances	<u>\$ 56,320</u>	<u>\$ 14,095</u>	<u>\$ 20,035</u>	<u>\$ 11,214</u>	<u>\$ 85,377</u>	<u>\$ 187,041</u>
Total liabilities and fund balance	<u>\$ 61,297</u>	<u>\$ 14,095</u>	<u>\$ 20,035</u>	<u>\$ 11,214</u>	<u>\$ 85,377</u>	<u>\$ 199,598</u>

"The notes to the financial statements are an integral part of this statement."

HELPER MUNICIPAL CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECT FUNDS</u>			<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>MUSEUM</u>	<u>REDEVELOP- MENT AGENCY</u>	<u>RIO HOTEL</u>	<u>SWIMMING POOL</u>	<u>MUSEUM</u>	
REVENUES:						
Intergovernmental revenue	\$ 23,976	\$ 9,249				\$ 33,225
Charges for services	14,035					14,035
Contributions			\$ 515	\$ 2,220		2,735
Miscellaneous					\$ 2,833	2,833
Total revenues	\$ 38,011	\$ 9,249	\$ 515	\$ 2,220	\$ 2,833	\$ 52,828
EXPENDITURES:						
Highways and public improvements			\$ 31,709			\$ 31,709
Parks, recreation, and public property	\$ 51,055				36,240	87,295
Community and economic development		\$ 1,578				1,578
Total expenditures	\$ 51,055	\$ 1,578	\$ 31,709	\$...	\$ 36,240	\$ 120,582
Excess of revenues over (under) expenditures	\$ (13,044)	\$ 7,671	\$ (31,194)	\$ 2,220	\$ (33,407)	\$ (67,754)
Other financing sources (uses):						
Transfers in	\$ 14,000					\$ 14,000
Total other financing sources (uses)	\$ 14,000	\$...	\$...	\$...	\$...	\$ 14,000
Excess of revenues and other sources over (under) expenditures and other uses	\$ 956	\$ 7,671	\$ (31,194)	\$ 2,220	\$ (33,407)	\$ (53,754)
Fund Balances - Beginning of year	55,364	6,424	51,229	8,994	118,784	240,795
Fund Balances - End of year	\$ 56,320	\$ 14,095	\$ 20,035	\$ 11,214	\$ 85,377	\$ 187,041

"The notes to the financial statements are an integral part of this statement."

SMUIN, RICH & MARSING

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
Helper City
Helper, Utah 84526

RE: Report on Compliance and Other Matters
and on Internal Control Over Financial
Reporting Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards

We have audited the financial statements of Helper City as of and for the year ended June 30, 2005, and have issued our report thereon dated December 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUTN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smutn, Rich & Marsing", written in dark ink.

Price, Utah

December 20, 2005

SMUIN, RICH & MARSING

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Honorable Mayor and Members of the City Council
Helper City
Helper, Utah 84526

RE: Auditors' Report on State Compliance
for State Grants

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Helper City for the year ended June 30, 2005 and have issued our report thereon dated December 20, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

Class "C" Road (Utah Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
CIB Grant (Department of Community and Economic Development)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements. However, these programs were subject to test work as part of the audit of the City's financial statements.

Police Grants (Utah Department of Public Safety)
EMS Grant (Utah Department of Public Safety)
Rape Crisis Grant (Utah Department of Public Safety)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt	Budgetary Compliance
Cash Management	Truth in Taxation and
Purchasing Requirements	Property Tax Limitation
Justice Courts	Uniform Building Code Standards
Other Compliance Requirements	Impact Fees
Liquor Law Enforcement	B & C Road Funds

The management of Helper City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Helper City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2005.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Susan, Rich & Marsing".

Price, Utah

December 20, 2005

SMUIN, RICH & MARSING

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
Helper Municipal Corporation
Helper, Utah 84526

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Helper Municipal Corporation for the year ended June 30, 2005.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

BUDGETARY COMPLIANCE

Utah law prohibits officers and employees of City's to incur expenditures or encumbrances in excess of the total appropriations for any fund or department of the City. The City has overspent the following funds in the current fiscal year:

General Fund

Debt Service – Principal retirement

We recommend the City review the expenditures made, with the adopted budget, to determine if the budgets of the departments or funds are being overspent.

City's Response

We understand that we are prohibited from exceeding our adopted budget. We did not realize that the forgiveness of debt that occurred would have to be recorded as governmental revenue and a debt principal payment. We have followed our expenses on a regular basis and had determined at yearend that the budget balances were adequate. The auditor's adjustments caused us to exceed this line item.

SUMMARY

We feel the issue mentioned above is an area where the City can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing".

Price, Utah

December 30, 2005